Claiming PTCs and Reconciling APTCs

Under the ACA, individuals with annual income between 100% - 400% FPL (or lawfully present immigrants up to 400% FPL) may qualify for health insurance subsidies in the form of PTCs if they enroll in QHPs purchased through the marketplaces.

Those who qualify can claim the credit at tax filing, or can take advance payments of the credit (APTCs) to help defray QHP premiums. Everyone enrolled in marketplace coverage who receives APTCs must file federal income taxes, even if their household income falls below the mandatory filing threshold.

The IRS has developed two new tax forms for claiming and reconciling APTCs – Form 1095-A and Form 8962. The marketplaces issue Form 1095-A for everyone who purchases and enrolls in a QHP, just as an employer issues a W-2 for each worker. The 1095-A lists the coverage household (everyone who was covered under the same health plan), the total cost of the monthly premium, the cost of the Second Lowest Cost Silver Plan (SLCSP) used to calculate the proper PTC amount, and the APTC amount actually paid for each month of 2014, if applicable.

Using the information provided on Form 1095-A, tax filers must complete Form 8962 to claim the PTC and account for the amount of APTCs received – a process called reconciliation. Those who over-estimated their projected income may be entitled to a higher PTC amount and may receive a refund. Those who under-estimated their projected income may be required to repay excess APTCs received. In addition, people who did not take their full credit amount in advance, failed to report a change in circumstance (such as a change in income or family size) or who got married or divorced during the year need to account for, and reconcile, APTCs received.

Marketplace enrollees should check their Form 1095-A to make sure the information it contains is accurate and report errors to the marketplace. The marketplace may issue a corrected Form 1095-A.

> **Note:** Persons with marketplace subsidies cannot use the Form 1040EZ, and must file using either the Form 1040 or Form 1040A. However, those enrolled in Medicaid or CHIP, who have employer-sponsored or other qualified coverage, or who are exempt from the ISRP can continue to use the Form 1040EZ if they choose.

Tax filers, advocates, and assisters should carefully review the Instructions for Form 8962, which include worksheets for calculating APTCs. The instructions also provide information on reducing the amount of excess APTC that may need to be repaid, for example, by using alternative calculations for individuals who married mid-year.

Conclusion

As a brand new process, this first ACA tax filing season will certainly have its challenges. As with the first open enrollment, it will take all hands on deck to help troubleshoot problems, provide information and resources, and help consumers understand when to seek help. Health advocates need not suddenly become tax experts. However, developing a working understanding of the new ACA-related IRS forms and filings is essential for helping low-income populations obtain health coverage and keep them enrolled.

The IRS details the various types of exemptions and directs tax filers on where and how to claim the exemption in the Instructions for Form 8965. Tax filers must claim exemptions for each household member for each month in which they qualify. Tax filers should attach the completed Form 8965 to Form 1040 when they file their federal income taxes.

If any member of the tax household was without MEC or an exemption for any month, the tax filer will be subject to the ISRP fee for those months.

Calculating the Fee

The Instructions for Form 8965 include a worksheet for calculating the fee for each individual in the tax household for each month without health insurance. Tax filers owe 1/12th of the annual fee amount for each month the members of their tax household do not have coverage and do not or qualify for an exemption. The fee in 2014 is the ***greater*** of:

- A flat dollar amount – $95 per adult annually ($7.92 per month) and $47.50 per child annually ($3.98 per month), limited to a family maximum of $285, or
- 1 percent of the household income that is above the tax return filing threshold for the filing status.

The 1 percent payment amount is capped at the cost of the national average premium for a bronze level health plan available through the marketplace in 2014. For 2014, the annual national average premium for a bronze level health plan is $2,448 per individual ($204 per month per individual), but $12,240 for a family with five or more members ($1,020 per month for a family with five or more members).

Instructions for IRS Form 8965

Shared Responsibility Payment Worksheet

If you or another member of your tax household had neither minimum essential coverage nor a coverage exemption for any month during 2014, use the Shared Responsibility Payment Worksheet, below, to figure your shared responsibility payment. You will enter the amount from line 14 of the worksheet on Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11.

Complete the monthly columns by placing "X's" in each month in which you or another member of your tax household had neither minimum essential coverage nor a coverage exemption.

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Total number of X's in a month. If 5 or more, enter 5												
2. Total number of X's in a month for individuals 18 or over*												
3. One-half the number of X's in a month for individuals under 18*												
4. Add lines 2 and 3 for each month												
5. Multiply line 4 by $95 for each month. If $285 or more, enter $285												

6. Sum of the monthly amounts entered on line 1 .... ______
7. Enter your household income (see *Household income*, earlier) .... ______
8. Enter your filing threshold (see *Filing Thresholds For Most People*, later) .... ______
9. Subtract line 8 from line 7 .... ______
10. Multiply line 9 by 1% (.01) .... ______
11. Is line 10 more than $285?
    ☐ **Yes.** Multiply line 10 by the number of months for which line 1 is more than zero
    ☐ **No.** Enter the amount from line 14 of the Flat Dollar Amount Worksheet .... ______
12. Divide line 11 by 12.0 .... ______
13. Multiply line 6 by $204** .... ______
14. Enter the smaller of line 12 or line 13 here and on Form 1040, line 61; Form 1040A, line 38; or Form 1040EZ, line 11. This is your shared responsibility payment .... ______

*For purposes of figuring the shared responsibility payment, an individual is considered under 18 for an entire month if he or she did not turn 18 before the first day of the month. An individual turns 18 on the anniversary of the day the individual was born. For example, someone born on March 1, 1999, is considered age 18 on March 1, 2017, and, therefore, is not considered age 18 for purposes of the shared responsibility payment until April 2017.

**$204 is the 2014 national average premium for a bronze level health plan available through the Marketplace for one individual and should not be changed.

Tax filers must enter the fee amount on Line 61 of the revised Form 1040; Line 38 of the revised Form 1040A; and Line 11 of the revised Form 1040EZ.

The fee size increases in coming years. For the 2015 tax year, the percentages and flat dollar amounts increase to 2 percent of household income, and the flat dollar amount increases to $325 per adult and $162.50 per child under 18.

Assistance for Low Income Taxpayers

- Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs assist low-income persons with tax preparation.
- Low-Income Taxpayer Clinics (LITCs) represent low-income individuals in disputes with the Internal Revenue Service, including audits, appeals, collection matters and federal tax litigation.

About Us

The National Health Law Program protects and advances the health rights of low income and underserved individuals. The oldest non-profit of its kind, NHeLP advocates, educates and litigates at the federal and state level.

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